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Report on the activities of the Office of Internal Oversight Services

Activities of the Office of Internal Oversight Services for the period from 1 July 2014 to 30 June 2015**

Report of the Office of Internal Oversight Services

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5), 59/272 (paras. 1-3) and 64/263 (para. 1) and 69/253 (para.1). During the reporting period, from 1 July 2014 to 30 June 2015, the Office of Internal Oversight Services (OIOS) issued 324 oversight reports, including 12 reports to the General Assembly and 46 closure reports. The reports included 1,031 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness, of which 109 were classified as critical to the Organization. The financial implications of the recommendations issued by the Office during the period amount to approximately $10.5 million. The recommendations were aimed at cost savings, recovery of overpayments, efficiency gains and other improvements. The financial implications of recommendations issued in prior periods that were satisfactorily implemented during the period totalled approximately $90,000. The addendum to the present report provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and a complete list of all reports issued for all areas of OIOS work, including those relating to peacekeeping activities.

The present report (Part I) does not cover oversight results pertaining to peacekeeping operations and special political missions, as they will be submitted to the Assembly in Part II of the report during the resumed seventieth session.

* A/70/150.

** Excluding oversight of peacekeeping activities, which will be reported on in document A/70/318 (Part II).

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Preface

I will complete my five-year term as Under-Secretary-General for Internal Oversight on 13 September 2015, and this is my final annual report to the General Assembly on the activities of the Office of Internal Oversight Services. This final preface presents an opportunity to reflect on our accomplishments during this time and to acknowledge the remaining challenges.

I am pleased that we have been able, with the support of senior management and Member States, to significantly increase the transparency of the results of our work. Both internal audit and evaluation reports are now available to the public through our website, offering those we serve an often critical glimpse into operations, as well as actions planned to address deficiencies. Related to this change has been streamlining of processes and reports to improve timeliness and clarity.

Comprehensive independent reviews in each of the three divisions early in my term helped to set new directions. Programme impact pathways were developed that identify priorities, targets and performance indicators used to hold ourselves accountable for deliverables, in much the same way as we contribute to accountability of programme managers through the oversight reports we produce. Progress towards our targets and areas for improvement are reported quarterly to the Secretary-General, the Management Committee and the Independent Audit Advisory Committee.

While we have made progress in managing vacancy rates overall, these remain high, particularly in the Investigations Division, despite the major efforts involved in restructuring the peacekeeping investigative resources. Nevertheless, timeliness of investigations has improved, and the Division has successfully investigated a number of major frauds committed by implementing partners of the Office for the Coordination of Humanitarian Affairs. Efforts to recover fraudulently used funds and prosecuting perpetrators of these crimes have not yet been successful. However, we are reinforcing the importance of both focusing on fraud prevention controls and developing a highly visible system-wide sanctions and cross-debarment regime. A comprehensive anti-fraud policy for the organization is long overdue and expected to be promulgated soon.

Another issue that remains to be dealt with is the frequency with which staff members in the organization avoid responding to allegations of misconduct, and ultimately avoid accountability altogether by taking paid sick leave. If our internal administration of justice system is ever to be seen as an effective proxy to its external equivalent, this extensive practice of allowing evasion of (indeed rewarding) inappropriate behaviour must be outlawed.

Finally, the heinous acts of sexual exploitation and abuse in peacekeeping and other operations must be stopped. OIOS has examined this issue in depth in its investigations, and more recently in a comprehensive thematic evaluation of peacekeeping. We have, for the first time, identified the countries whose actions have not been consistent with the memorandum of understanding in dealing with sexual exploitation and abuse matters. Moreover, the systemic issues of under-reporting of incidents, lack of command accountability and absence of support for victims need urgent attention.

I truly believe that the work we do in OIOS influences behaviours and changes that lead to improvements in the Organization. I remain grateful for and impressed

by the commitment of OIOS staff members in all areas and locations whose dedication has led us to accomplish this goal.

The steadfast commitment of the Secretary-General, senior management and Member States to improved accountability through a strong and independent internal oversight function has also influenced our contribution.

(*Signed*) Carman L. **Lapointe**
Under-Secretary-General for Internal Oversight Services

I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by the General Assembly pursuant to resolution 48/218 B to enhance oversight in the Organization. It is operationally independent, and assists the Secretary-General in fulfilling his internal oversight responsibilities in respect of resources and staff of the Organization through investigations, internal audit and inspection and evaluation activities.

2. The present report provides an overview of OIOS activities during the period from 1 July 2014 to 30 June 2015, but does not include oversight results pertaining to the Department of Peacekeeping Operations, the Department of Field Support or the peacekeeping and special political missions, which will be submitted to the General Assembly in Part II of the report during the resumed seventieth session of the Assembly. An addendum to the present report provides a detailed analysis of the status of implementation of the recommendations, a breakdown of recommendations with financial implications and a complete list of all reports issued for all areas of OIOS work, including those relating to peacekeeping activities.

II. Professional initiatives

A. Efforts to strengthen the functioning of the Office of Internal Oversight Services

3. OIOS aims to carry out its work with the highest standards of professionalism and efficiency. The present section highlights some initiatives undertaken during the reporting period to achieve this goal.

Internal Audit Division

4. In an effort to facilitate the comprehensive management of the audit life cycle, including monitoring and follow-up of audit recommendations, the Internal Audit Division is in the process of implementing a web-based audit management system. This system will offer opportunities for increased efficiencies within OIOS, across all divisions and throughout the Secretariat, as departments and offices will be able to access and update their recommendations online.

5. The Internal Audit Division continues to review and revise its audit methodology, and in this regard is developing additional standard operating procedures, practice guidance and templates. The Division is improving its capacity to conduct performance audits of departments/offices and functions/processes, by developing standard methodology and providing auditors with the necessary skills and tools for conducting performance audits.

Inspection and Evaluation Division

6. During the report period, the Inspection and Evaluation Division continued to refine its risk assessment approach and delivered 38 hours of sessions to improve evaluation methodology in the Secretariat. Additionally, the Division provided ad hoc departmental self-evaluation support, which included assistance with drafting and revising self-evaluation policies and evaluation methodology.

Investigations Division

7. During the reporting period, the Investigations Division continued to strengthen the role of the Operational Standards and Support Section, established in January 2014. The Section consists of the Intake, Analysis and Research Team, which is the operational centre for intake, case referrals, research, data analysis and reporting, and the Policy and Legal Support Team, which provides operational support to the Investigations Division, including the Director, Deputy Directors and resident investigators.

8. As the Investigative Intake Committee's secretariat, the Intake, Analysis and Research Team has been responsible for processing all new cases, and has carried out this function in a structured, methodical and timely manner. The Team has implemented an advanced electronic referral system (e-Referral), which has improved efficiency and expediency in bringing matters to the attention of appropriate programme managers or heads of organizations. It has also provided, on a regular and continuous basis, case/operational statistics and related data analyses to assist OIOS in meeting its reporting requirements and in addressing enquiries from various stakeholders and external oversight bodies.

9. The Policy and Legal Support Team has continued to strengthen and support the work of the Investigations Division throughout the reporting period. Significantly, the Team released an extensive compendium to act as an investigation reference guide for OIOS staff. It covers two broad themes: (i) types of misconduct investigated by the Division; and (ii) issues that arise during investigations. Other achievements during the reporting period include finalizing an update of the Investigations Division/OIOS manual, releasing a procedure on prohibited conduct investigations and updating the interview procedure to reflect the Division's move towards audio recorded interviews.

10. Pursuant to a training needs analysis undertaken by OIOS, the Department of Field Support, the Department of Peacekeeping Operations and the Department of Safety and Security in late 2013 during the reporting period the Investigations Division developed the United Nations Investigator Standard Training Course, a three-week course targeting peacekeeping mission investigators and Security and Safety Service officers.

11. The increased emphasis on investigations involving major fraud, especially fraud by implementing partners, led to the Government of Norway agreeing to fund an Investigations Division/OIOS major fraud investigation team, with the equivalent sum of $800,000 annually for four years. The team, which is based in Nairobi and started operations on 1 December 2014, consists of three professional staff at the P-5, P-4 and P-3 levels, supported by an Investigations Assistant at General Service 6 level.

B. Cooperation and coordination

12. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that gaps, duplication and overlap in oversight work are minimized. Aside from sharing workplans, OIOS holds bimonthly meetings with the Board of Auditors and ad hoc meetings with the Joint Inspection Unit to discuss progress and issues of mutual

interest. A tripartite meeting is held annually to address oversight and coordination issues.

13. OIOS recognizes the value and importance of fostering relationships with its functional peers. During the reporting period, OIOS professionals actively participated in their respective professional networks, as described below:

(a) The Internal Audit Division contributes actively to the work of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. In September 2014, OIOS made a presentation on OIOS programme impact pathways;

(b) The Investigations Division contributed to two sessions at the fifteenth Conference of International Investigators in October 2014, held on the themes "How to analyse incoming information with a view to opening investigations", and "Recent developments and upcoming challenges", the latter introducing OIOS activities in investigating fraud within humanitarian and development aid activities. In addition, OIOS contributed to the formation of a formal network of the United Nations Representatives of Investigations Services;

(c) The Inspection and Evaluation Division continued to play a key role in the United Nations Evaluation Group (UNEG), with the Inspection and Evaluation Division Director serving as its Chair up to end of March 2015. As Chair of UNEG, the Division Director provided advice and supported Member States in their issuance in December 2014 of the landmark, stand-alone General Assembly resolution entitled "Capacity-building for the evaluation of development activities at the country level". Staff from the Division was involved in supporting the organization of several key UNEG events, including the UNEG annual general meeting and the UNEG Evaluation Week, held in New York in March 2015, particularly the high-level panel "Bridge to a Better World: evaluation at the service of the post-2015 agenda".

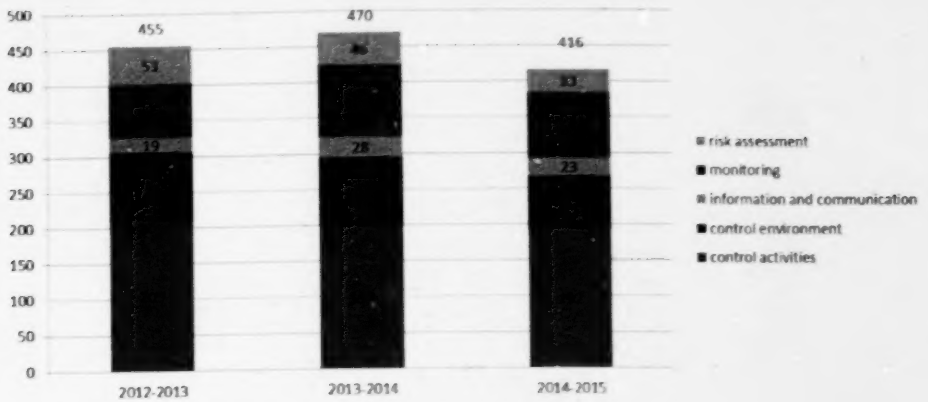
III. Impediments to the work of the Office of Internal Oversight Services

14. There was no inappropriate limitation of scope that impeded the work or independence of OIOS during the reporting period.

IV. Internal audit recommendation trend analysis

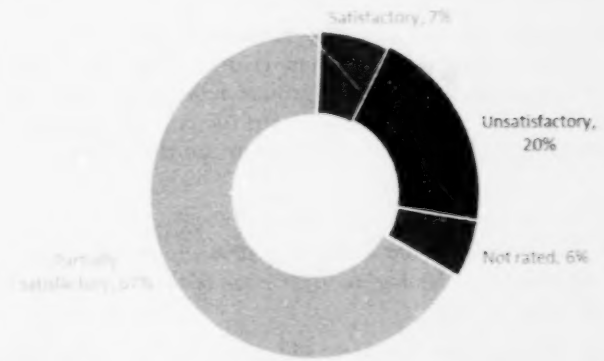
15. Audit recommendations were classified using the five integrated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring, as shown in figure I for the past three years. In each of those years, the bulk of the recommendations related to the control activities component. The figures reported in this section of the report exclude reports and recommendations on peace operations; these figures will be reported separately in Part II of the same report.

Figure I
Audit recommendations by control component



16. Figure II shows the distribution of overall ratings for 89 internal audit reports issued during the reporting period.

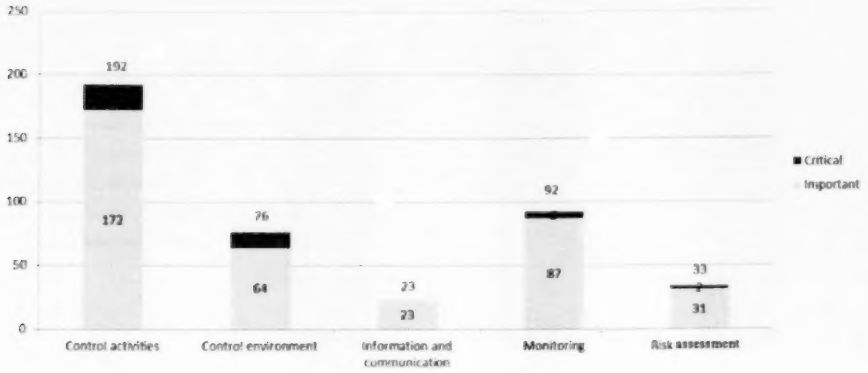
Figure II
Distribution of audit ratings,[a] 1 July 2014-30 June 2015



[a] Definitions for rating are as reported in A/66/286 (Part 1), page 9.

17. Figure III shows the distribution of critical versus important audit recommendations issued during the reporting period by control component. Specific information on all reports issued during the reporting period, including overall opinion ratings and the number of critical and important recommendations issued, can be found in the addendum to the present report.

Figure III
Audit recommendations on non-peacekeeping activities by control component, 1 July 2014-30 June 2015



V. Oversight results

18. This section provides selected oversight results for the period under review.

A. Internal Audit Division

Summary of critical audit results by control component

19. Internal Audit reports are available for review on the OIOS website at https://oios.un.org. The descriptions of selected critical oversight results below resulted in specific recommendations and management action plans that are outlined in the reports themselves. The implementation rate for critical recommendations issued is updated on a quarterly basis and is reflected on the OIOS website.

(a) Control environment

Audit of information and communications technology strategic planning, governance and management in the Investment Management Division of the United Nations Joint Staff Pension Fund (2015/010)

20. The Investment Management Division did not have an information and communications technology (ICT) governing body to formulate, assess, approve and monitor ICT strategies, projects and policies, which could lead to waste of resources and failure to effectively achieve the organizational ICT objectives.

Audit of procurement at the United Nations Office at Nairobi (2014/097)

21. Segregation of responsibilities between procurement and requisitioning entities at the United Nations Office at Nairobi, the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat) were not adequately enforced during the period 2011-2013, resulting in cases of non-compliance with procurement rules. This, combined with the inconsistencies between the Secretary-General's Bulletin on the organization of the United Nations

Office at Nairobi and the Financial Regulations of UNEP and UN-Habitat regarding the delegation of procurement authority, adversely impacted the achievement of key procurement goals of the United Nations.

Audit of the Regional Support Hub in Kenya for the Office of the United Nations High Commissioner for Refugees (2014/159)

22. The Office of the United Nations High Commissioner for Refugees (UNHCR) Regional Support Hub in Kenya did not adequately consider higher risk operational priorities and underperforming countries when determining which support missions to undertake in the region. Furthermore, mission reports were produced for only 96 of the 349 support missions conducted during 2012 and 2013 and implementation of recommendations made in these mission reports was not followed up.

23. The UNHCR Regional Support Hub in Kenya did not adequately manage recruitment processes. There were instances where candidates selected for positions did not meet the vacancy requirements, where recruitment activities were not conducted in compliance with rules and where recruitment and retention of seconded staff and consultants was irregular. These conditions created a perception of favouritism and may have prevented UNHCR from recruiting the best suitable candidates.

(b) Control activities

Audit of the Office for the Coordination of Humanitarian Affairs Managing Agent role for the Somalia Common Humanitarian Fund (2014/078)

24. Prior to 2015, the Somalia Common Humanitarian Fund used the same standard grant agreement template also used for emergency response funds. The standard grant agreement stipulated that 80 per cent of the grants should be disbursed upfront upon the signing of the agreement with implementing partners, with the balance to be settled upon completion of the project based on a certified audited financial report. The policy of the Office for the Coordination of Humanitarian Affairs of disbursing 80 per cent of the grant upfront exposed it to financial and other risks related to the operating environment in Somalia. This disbursement modality was revised in the new country-based pooled fund guidelines to allow the Office for the Coordination of Humanitarian Affairs to disburse funds in tranches, based on the risk level and capacity of the implementing partner.

25. The Office for the Coordination of Humanitarian Affairs in Somalia also procured $2.5 million worth of services without a proper solicitation process. For example, an audit firm that submitted the highest bid was awarded contracts totalling $800,000; and the same firm was also contracted, without a competitive process, for $644,000 to assess the capacity of implementing partners, resulting in potential overpayment for services that could have been procured at a more competitive price. This also resulted in a potential conflict of interest owing to incompatible roles performed by the same vendor.

Audit of procurement and contract management in the Economic Commission for Africa (2014/083)

26. Owing to inadequate contract management and risk management activities, the Economic Commission for Africa encountered significant delays and cost overruns

on construction projects. For example, cost overruns related to the contract delays on four of the seven largest construction contracts totalled $582,179 as at 31 December 2013.

Audit of the acquisition and implementation of an electronic fuel management system at the United Nations Secretariat (2014/110)

27. Project governance and management structure were not promptly established for the electronic fuel management system project as required by the Information and Communications Technology Project Management Framework. Roles and responsibilities were not clearly defined and no proper quality review process was established along with key performance indicators, resulting in disputes and implementation delays.

Audit of the administration and management of the health insurance scheme at United Nations Headquarters (2015/051)

28. The existing administrative issuances and circulars do not fully address all aspects of the administration and management of the health insurance schemes for some categories of staff and retirees.

29. In the absence of formal agreements specifying the scope, terms and conditions of services, the Organization may not always be legally able to hold third-party administrators accountable in the case of unsatisfactory performance or non-delivery of expected services.

30. Owing to a lack of capacity, the Department of Management did not always conduct its own detailed analysis of health insurance claims to identify claims trends by health-care provider, type of service and participant, but relied on advice and alerts from the third-party administrators that were not always timely and complete. In one instance, an unusual claim pattern and high utilization of out-of-network providers for a type of service was reported, but the Department of Management did not act on it in an adequate or timely manner to determine whether these patterns were the result of fraud, abuse or overutilization, so that appropriate cost containment measures could be implemented. As a result, it is possible that the insurance plans may have incurred avoidable costs. For instance, if industry-level utilization of in-network services was attained, potential savings in one United States-based plan was estimated at $7.7 million for the year.

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch (2015/031)

31. Owing to a lack of clarity on applicable delegation of authority, the International Criminal Tribunal for Rwanda processed payments amounting to $1.6 million during the period January to July 2014 on behalf of the Mechanism for International Criminal Tribunals, without delegation of authority from the Controller, which exposed the organization to a potential risk of loss of funds.

Audit of the Women Land Access Trust operations of the United Nations Human Settlements Programme (2014/120)

32. Owing to a lack of a properly defined project design and implementation strategy, the Women Land Access Trust pilot project encountered several challenges that impaired its operational effectiveness and led to the eventual closure of its constituent projects.

33. UN-Habitat did not always assess or verify the technical, administrative and management capacities of implementing partners or implement a vetting process with established criteria for selecting partners. This exposed the organization to a potential risk of conflict of interest, perceptions of favouritism and reputational damage.

34. Non-compliance with the prescribed practices and processes for engaging implementing partners resulted in implementing partners commencing operations for UN-Habitat without formally executed agreements of cooperation increasing the risk of potential disputes between the parties.

35. Owing to weaknesses in safeguarding of assets, implementing partners continued to maintain possession and custody of project assets long after the projects had been closed, contrary to the terms and conditions of the underlying agreements of cooperation.

Audit of the operations in Mali for the Office of the United Nations High Commissioner for Refugees (2014/161)

36. The UNHCR Representation in Mali procured goods and services without competitive bidding and without issuing purchase orders. It also did not obtain the required approvals from the Regional Committee on Contracts or the Local Committee on Contracts. This occurred because of a lack of expertise and staff experience. Additionally, owing to a lack of experienced staff, the Representation in Mali did not vet or evaluate its vendors prior to placing them in the vendor database. Furthermore, vendor files were not adequately maintained and duplicate vendors were recorded in the database.

37. Lack of capacity in the UNHCR Representation in Mali and inadequate oversight resulted in weaknesses in the management of $1.4 million of non-food items received from another UNHCR operation. Items were not recorded in the enterprise resource planning system and there were no supporting documents evidencing their receipt. Returned items were also not warehoused as required.

Audit of the operations in Turkey for the Office of the United Nations High Commissioner for Refugees (2014/149)

38. The UNHCR Representation in Turkey did not adequately monitor distribution of core relief items valued at $21.4 million to beneficiaries in refugee camps. Distribution reports were not prepared and signatures of recipients were not systematically collected. Specimen signatures of camp officials were also not maintained for verifying the authenticity of receipts attached to supplier invoices and distribution lists prepared by officials.

Audit of the operations in Kenya for the Office of the United Nations High Commissioner for Refugees (2015/003)

39. The UNHCR Representation in Kenya did not adequately monitor the distribution of core relief items to beneficiaries in refugee camps. Distribution reports were not prepared and signatures of beneficiaries were not collected to evidence the receipt of core relief items valued at $3.9 million. The Representation in Kenya also did not systematically monitor fuel allocations and fuel consumption to ensure alignment with operational needs. As a result, a discrepancy of 200,000 litres in the fuel stock valued at $170,000 was not followed up and investigated.

Audit of the operations in Jordan for the Office of the United Nations High Commissioner for Refugees (2015/049)

40. The UNHCR Representation in Jordan incurred additional costs of $750,000 related to acquisition of equipment after lower bids from technically qualified vendors were rejected and not adequately disclosed to the Headquarters Committee on Contracts. Further, owing to inadequate acquisition planning, the Representation requested a waiver from competitive bidding for the procurement of hygiene kits for $150,000 from a sole source, the contract value of which was subsequently increased to $1,891,000, which defeated the principle of competitive procurement. The Representation also signed a property lease agreement without the standard termination clause in case of force majeure and incorrectly reimbursed the owner property tax of $84,600, all against the advice of the UNHCR Legal Affairs Service.

Audit of the operations in Rwanda for the Office of the United Nations High Commissioner for Refugees (2015/050)

41. UNHCR Representation in Rwanda delegated $8.1 million worth of procurement to implementing partners during 2013-2014 without following the pre-qualification process and without prior approval of the Local Committee on Contracts. There was also no evidence that procurement procedures of implementing partners were reviewed by UNHCR. The Representation recorded all its 688 vendors in the vendor database without supporting files and documented evidence of their vetting, review and approval. The Representation also prepared purchase orders totalling $1 million after the relevant goods and services were received, and did not enter into contracts for large and complex procurement transactions totalling $600,000. The annual purchasing plan for 2014 was only prepared in April 2014 and lacked timelines for procurement activities. The Local Committee on Contracts did not discharge its responsibilities properly when approving purchases.

(c) Monitoring

Audit of the Office for the Coordination of Humanitarian Affairs Managing Agent role for the Somalia Common Humanitarian Fund (2014/078)

42. Owing to security constraints, the Office for the Coordination of Humanitarian Affairs outsourced project monitoring activities on 12 projects funded by the Common Humanitarian Fund to independent contractors. However, reports submitted by the contractors were not in accordance with the relevant terms of reference and did not meet established standards.

Audit of the Office for the Coordination of Humanitarian Affairs operations in Pakistan (2014/104)

43. Although the Secretary-General's bulletin on the management of the Central Emergency Response Fund required that the Fund grant recipient organizations to monitor projects within their own regulations and rules, the Humanitarian Coordinator was responsible for overseeing the monitoring activities of such organizations. Owing to a lack of formal mechanisms to fulfil this responsibility, the Humanitarian Coordinator needed to involve clusters and lead agencies in the monitoring of Fund projects.

44. The Office for the Coordination of Humanitarian Affairs Country Office in Pakistan did not provide written summaries of the audits of emergency response fund projects to the Advisory Board. Consequently, the Board was not kept abreast of the performance of implementing partners on the Fund projects.

Audit of the management of the Sudan Common Humanitarian Pipeline project by the Office of the United Nations High Commissioner for Refugees (2014/158)

45. The UNHCR Representation in the Sudan did not adequately monitor the implementation of shelter construction activities under the Common Humanitarian Pipeline project. As a result, there was no assurance that project activities were being fully achieved and the project funds were spent on the intended purposes.

B. Inspection and Evaluation Division

46. During the reporting period, the Inspection and Evaluation Division issued nine non-peacekeeping reports. As all reports were presented for review by the General Assembly and are available on the OIOS website with management's response, only highlights from some of those reports are provided below.

Programme evaluation of the United Nations Conference for Trade and Development (UNCTAD) (E/AC.51/2015/4)

47. OIOS concluded that, with respect to the research and analysis pillar on which the assessment focused, overall, UNCTAD had executed a large research and analysis work programme on limited resources and its products were of generally good quality. Furthermore, Member States and other stakeholders recognized the unique relevance of UNCTAD as a champion of sustainable development from a developing country perspective. However, despite recent improvements, OIOS noted the insufficient attention to dissemination of research and analysis products and an uncoordinated approach to quality assurance and work planning.

Programme evaluation of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) (E/AC.51/2015/9)

48. OIOS examined the relevance and effectiveness of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) in achieving its mandate in support of gender equality and the empowerment of women through normative support work and its link with operational activities. OIOS noted that UN-Women had increased the visibility of, and attention to, gender equality and the empowerment of women. UN-Women made significant strides in advancing the

global normative agenda for women's rights, and effectively led the related United Nations coordination mechanisms at headquarters level. OIOS identified, however, several factors that had challenged UN-Women in fully supporting the implementation of the normative gains it helped to achieve.

Thematic evaluation of monitoring and evaluation of the Millennium Development Goals: lessons learned for the post-2015 era (E/AC.51/2015/3)

49. The overarching purpose of the OIOS thematic evaluation was to identify lessons learned from monitoring and evaluation of the Millennium Development Goals that may be applicable to monitoring and evaluation in the post-2015 era. OIOS identified eight such lessons. What is loosely referred to as the Millennium Development Goals monitoring and evaluation framework consists of a variety of monitoring components that have evolved over time, without a provision for rigorous evaluation. While the Inter-agency and Expert Group on Millennium Development Goals Indicators played an important consolidating role in the statistical arena, one key lesson learned is that the post-2015 sustainable development goals, currently under negotiation, would benefit from a clear overarching framework of monitoring and evaluation objectives, role/responsibility definitions and coordination mechanisms being established from the onset. Another key lesson relates to the need for a strategy that addresses multilateral and bilateral support for national capacity development, including the mobilization of sufficient resources.

Programme evaluation of the United Nations Human Settlements Programme (UN-Habitat) (E/AC.51/2015/2)

50. **The OIOS evaluation focused on the 2012-13 period and the extent to which UN-Habitat has in place the elements to plan for, manage and demonstrate results as it embarks on its strategic plan for the period 2014-2019.** OIOS concluded that during the period under review, UN-Habitat had positioned itself as the lead United Nations agency responsible for sustainable urbanization. UN-Habitat implemented an ambitious agenda and delivered outputs valued by stakeholders. Moreover, it made important improvements, making UN-Habitat better positioned in 2014 compared to 2008, at the start of its previous strategic plan. Nevertheless, OIOS noted important shortcomings that could hinder UN-Habitat performance in the period 2014-2019. Most notably, the UN-Habitat sustainable urbanization agenda has yet to reach all corners of the organization with some country operations still lacking a sustainable urbanizations focus. In addition, UN-Habitat still lacks clear resource mobilization and partnership strategies and a number of internal processes and functions, including risk management and information and knowledge management. It also lacks robust assessments of the outcomes of its work, even among its more mature and higher-risk programmes.

Programme evaluation of the Economic Commission for Latin America and the Caribbean (E/AC.51/2015/6)

51. The evaluation focused on assessing the effectiveness and relevance of the Economic Commission for Latin America and the Caribbean (ECLAC), particularly on how its work has supported decision-making and policy-making in the region. ECLAC has raised important and relevant development policy issues for debate among Member States, while maintaining its impartiality and facilitating regional and subregional integration initiatives. It has facilitated regional and subregional

decision-making in some critical areas. Through its research and analysis, it has increased an overall understanding of the various issues affecting the region, although the knowledge produced would benefit from more effective dissemination strategies. Greater efforts are needed in order to increase ECLAC relevance and visibility in the Caribbean as compared to Latin America. ECLAC has been influential at the regional and national levels in a number of thematic areas, and it could better leverage its catalytic role to further promote South-South cooperation. At the same time, the increasing complexity of development issues faced by the region, together with the growing number of mandates, puts enormous pressure on the organizational structure and resources of ECLAC.

Evaluation of the Office of the United Nations High Commissioner for Refugees (E/AC.51/2015/5)

52. The OIOS evaluation examined the relevance, the efficiency, the effectiveness and the impact of UNHCR towards achieving its mandate in protection, assistance and solutions, with a focus on durable solutions for protracted situations. While UNHCR has effectively responded to the growing number of complex emergency situations and generally fulfilled its protection mandate, it has been less effective in achieving durable solutions for persons of concern in protracted situations. This has been due primarily to external and political factors beyond its direct control. However, UNHCR has not fully seized opportunities to address these constraints, such as advocating more strategically with host Governments, or sufficiently expanding upon its humanitarian imperative to support the achievement of durable solutions. Recent efforts of UNHCR to address solutions have been a step in the right direction, and it now has an opportunity to systematize these efforts by advocating more strongly for solution options, building greater consensus and more strategic partnerships, and refining internal structures, processes and staff skills to meet solutions goals.

Strengthening the role of evaluation and the application of evaluation findings on programme design, delivery and policy directives (A/70/72)

53. In its fourteenth report on this subject, OIOS and the Inspection and Evaluation Division assessed the evaluation practice and capacity during 2012-2013 for all 32 Secretariat entities and synthesized key results contained in a sample of evaluation reports. While compared with the prior biennium there have been some positive developments regarding the Secretariat's evaluation functions, the overall quality of evaluation reports has not improved. Moreover, the overall Secretariat evaluation capacity and culture still require strengthening, and significant gaps remain in coverage.

C. Investigations Division

54. From 1 July 2014 to 30 June 2015, 178 matters pertaining to non-peacekeeping operations were reported to the Investigations Division, comprising 43 per cent of all matters reported to it. Following evaluation by the Intake Committee, 59 matters[1]

[1] Of the 59 matters predicated for investigation during the reporting period, 10 were received prior to 1 July 2014; 2 were closed prior to completion and referred to other offices; and 1 was closed prior to completion and filed for information.

were assigned internally for OIOS investigation, 87 matters[2] were referred or were in the process of being referred to other departments/offices, 23 were filed for information, 25 remain in suspense, 1 is being proactively assessed and 1 was consolidated with another case.

55. Table 1 shows the categories of the 87 referrals and 59 matters assigned for internal OIOS investigation during the period.

Table 1
Predicated investigations and referrals by category, 1 July 2014-30 June 2015

Category	*No. of OIOS investigations*	*Percentage of all OIOS investigations*	*Referrals issued*	*Percentage of referrals*
Financial	14	24	16	18
Inventory/assets	2	3	2	2
Management	5	8	10	11
Personnel	28	47	39	45
Procurement	6	10	14	16
Programmatic	3	5	6	7
Sexual exploitation and abuse	–	0	–	0
Sexual harassment	1	2	–	0
Total	**59**	**100**	**87**	**100**

Investigation reports issued during the reporting period

56. In total, 51 non-peacekeeping investigation reports were issued during the reporting period. In 31 of those reports, the allegations were substantiated, while in 20 they were not (see table 2).

Table 2
Non-peacekeeping investigation reports issued as at 30 June 2015

Category	*2010-2011*	*2011-2012*	*2012-2013*	*2013-2014*	*2014-2015*
Financial	7	8	51	37	15
Inventory/assets	3	1	3	1	3
Management	9	1	4	3	4
Personnel	14	8	12	21	14
Procurement	6	7	10	10	10
Programmatic	2	–	1	3	2
Sexual exploitation and abuse	1	1	1	–	1
Sexual harassment	1	1	–	–	2
Total	**43**	**27**	**82**	**75**	**51**

[2] Of the 87 referral matters, 5 were received prior to 1 July 2014.

57. For the 51 reports issued during the period, the average time taken to complete the investigations was 14 months; 12 of these reports were completed within the target of 6 months. At the end of the period, there were 51 matters under investigation for non-peacekeeping operations; these had been pending for an average of 11 months, with 29 per cent pending for less than 6 months.

58. Highlights of some of the non-peacekeeping investigations completed during the reporting period are provided below. All substantiated cases have been referred to relevant management for consideration of appropriate action.

59. OIOS conducted an investigation into possible procurement fraud related to a project funded by a United Nations system entity and executed by UN-Habitat Pakistan. Two contractors engaged on individual contracts administered by the United Nations Office for Project Services (UNOPS) were directly involved in the set up and management of three companies that they used to secure contract awards totalling $328,301 from UN-Habitat Pakistan during the period 2009-2012. The findings were referred to UN-Habitat and UNOPS in August 2014 for appropriate action; OIOS awaits a response. The case is under consideration by the Office of Legal Affairs of the United Nations Secretariat for criminal referral to three Member States. *(Case Nos. 0318/13 and 0585/13)*

60. OIOS conducted an investigation into possible procurement fraud related to a project funded by a United Nations system entity and executed by UN-Habitat Pakistan. During this investigation, a UN-Habitat information technology technician was tasked to retrieve computer hard drives for forensic analysis. The forensic analysis revealed that incriminating evidence had been deleted from one of the hard drives while it was in the custody of the technician, and OIOS found that the technician had deliberately tampered with evidence. Because the technician was engaged on an individual contract administered by UNOPS, the investigation findings were referred to UNOPS in August 2014 for appropriate action; OIOS awaits a response. *(Case No. 0027/14)*

61. In The Hague, OIOS investigated a report of harassment, sexual harassment and abuse of authority. The investigation found no clear and convincing evidence supporting the allegations. The findings were reported to the International Criminal Court for the Former Yugoslavia (ICTY) in April 2015; ICTY closed the case. *(Case No. 0430/14)*

62. In the United Nations Office at Geneva, OIOS found that a senior staff member, on secondment from a Member State, received subsidized rental rates from the Member State but failed to inform the Organization. OIOS noted the staff member's lack of cooperation with the investigation into his housing arrangements. OIOS reported its findings to the United Nations Office at Geneva on 28 April 2015. UNOG responded that the staff member opted for early retirement and has separated effective 31 January 2015 from the organization. However, considering the OIOS findings, the United Nations Office at Geneva decided to refer the case to the Assistant Secretary-General for Human Resources Management in June 2015 for further and appropriate action or possible placement of a note in the staff member's official status file. *(Case No. 0589/13)*

63. OIOS substantiated allegations that several Department for General Assembly and Conference Management staff members based in New York had engaged in unauthorized outside activities by working as interpreters, and taking paid work

repeatedly and in violation of United Nations staff rules, and a Member State's tax laws. The reports of these cases were issued in February and June 2015; OIOS awaits a response. *(Case Nos. 0562/13 and 0065/14)*

64. OIOS substantiated allegations that a United Nations staff member in Haiti had sexually abused an adult Haitian national. It was also established that the same staff member had sexually exploited Haitian females, and had misused United Nations information technology resources to view and store pornography. The OIOS report of investigation was issued in February 2015; action against the staff member concerned has not been finalized. *(Case No. 0433/13)*

65. Working in collaboration under a memorandum of understanding with the Risk Management Unit of the United Nations country team for Somalia, OIOS received one report of suspicious activities involving funding for humanitarian aid in Somalia. OIOS also developed one case from earlier, related investigations and another one from the Office for the Coordination of Humanitarian Affairs.

66. One non-governmental agency (NGO) was engaged to implement 10 projects funded by the Common Humanitarian Fund, valued at $3.6 million, of which $1.9 million, or 77 per cent, of the disbursed project funds was determined by OIOS to be fraudulently claimed. *(Case No. 172/13)*

67. An NGO was engaged to implement seven projects funded by the Common Humanitarian Fund, valued at $3.6 million. The OIOS investigation found that that an employee of an NGO had received $110,000 in kickbacks from a pharmaceutical supplier, was responsible for arranging and falsely accounting for the under supply of commodities and was engaged in procurement fraud. The activities of the employee concerned are to be referred to national law enforcement authorities, and the NGO in question is carrying out internal investigation to determine the level of loss to the Common Humanitarian Fund. *(Case No. 246/13)*

68. An NGO was contracted to implement three projects funded by the Common Humanitarian Fund valued at $1.8 million, of which $1.5 million was disbursed and 100 per cent of the disbursed project funds were determined to be fraudulently claimed. *(Case No. 329/14)*

69. A staff member of the United Nations Office at Nairobi had manipulated the IMIS system to make two fraudulent payments totalling $300,460 to bank accounts controlled by his associates. The staff member abandoned his post during the OIOS investigation, and was separated from service. OIOS recommended that the matter be referred to national law enforcement authorities, as well as appropriate financial recovery. *(Case 299/14)*

70. A senior staff member of the United Nations Office at Nairobi, with the active assistance and collusion of some of his subordinates, was running an unauthorized outside business interest in direct conflict of interest with his role as a United Nations official. *(Case Nos. 20/11, 527/13, 559/13, 560/13, 52/14, 53/14 and 54/14)*

71. A UNEP staff member extorted cash payments from members of the public who were duped into believing that they would be offered employment with the United Nations as a result of making facilitation payments. The staff member was also shown to be running an unauthorized business interest. The staff member was separated from service. *(Case Nos. 186/13 and 197/13)*

VI. Mandated reporting requirements

A. Capital master plan

Audit of associated costs and secondary data centre expenditures financed from the budget of the capital master plan (2014/096)

72. The Office of the Capital Master Plan implemented satisfactory governance, risk management and control processes regarding accuracy and validity of associated costs and secondary data centre expenditures financed from the budget of the Capital Master Plan. The Steering Committee on Associated Costs, which was established by the Under-Secretary-General for Management in January 2010, was effective in formalizing the coordination of associated costs activities across departments involved with the Capital Master Plan project. The Office of the Capital Master Plan also established additional controls to review these activities. All expenditures related to associated costs and the secondary data centre that were reviewed by OIOS were supported by invoices, and were reviewed and approved by the appropriate officials.

Audit of Guaranteed Maximum Price Contract for the General Assembly building under renovation (2014/143)

73. The Office of the Capital Master Plan implemented satisfactory governance, risk management and control processes regarding effective management of the Guaranteed Maximum Price Contract for the renovation of the General Assembly building. The Office exercised adequate controls over procurement of trade contracts and processing of invoices, change orders and construction manager controlled contingency allowance. Quality control activities were generally adequate, except for the delays in submitting quality plans by some trade contractors and architects. Owing to the tight construction schedule for the renovation of the General Assembly building, construction works were accelerated. However, the Office of the Capital Master Plan did not consolidate the anticipated acceleration costs at the start of the renovations to allow for monitoring and control. Since the renovations were substantially completed, the Office of the Capital Master Plan agreed to note the need for timely submission of quality plans and for consolidation of acceleration costs in the lessons learned register for future United Nations capital projects.

Audit of the closure of the Guaranteed Maximum Price Contract for the renovation of the Secretariat building (2014/047)

74. The Office of the Capital Master Plan implemented satisfactory governance, risk management and control processes regarding effective management of the closure of the Guaranteed Maximum Price Contract for the renovation of the United Nations Secretariat building. The duration of the renovation of the Secretariat building was generally within the timeframe stipulated in the contract. The operational and financial closure of the Secretariat building Guaranteed Maximum Price Contract was ongoing. The Office of the Capital Master Plan had made substantial progress in rectifying the deficiencies in mechanical, electrical and plumbing systems that had been identified by the commissioning consultant and in obtaining all documentation necessary for the occupancy, operation and maintenance of the renovated building and its systems. The issuance of a certificate of final completion and the release of final payment would be dependent on the satisfactory conclusion of these matters.

B. Construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and the United Nations Office at Nairobi

Audit of the new office facility construction project in the Economic Commission for Africa (2015/040)

75. The Procurement Manual and the legal provisions of contracts specifically provided controls to manage and resolve disputes related to poor performance by contractors. The Office of Legal Affairs was to be consulted to resolve disputes with contractors, as required. The contract, new office facility, was signed on 1 April 2010 and obligated the contractor to complete construction of the building by 28 February 2012. This deadline was extended five times to 31 December 2013; however, the building was not substantially completed until 27 June 2014. The contract stipulated three available remedies, totalling up to $2.8 million, to compensate the Economic Commission for Africa (ECA) for any non-performance of the contractor. However, one of the remedies, the performance bond, was not renewed in line with the contract extensions and was therefore no longer available.

76. ECA referred the contractor's inability to complete the contract to the Office of Legal Affairs in September 2012 and again in May 2013. The Office of Legal Affairs advised ECA of the Organization's contractual rights to available remedies; however, according to ECA, it decided to defer exercising those rights until the end of the project, in order to ensure its completion as soon as possible, without further seeking the advice of the Office of Legal Affairs in this decision. On 8 December 2014, ECA informed the contractor in writing of its intention to exercise its contractual rights to seek liquidated damages for 23 of the 28 months delay in completing the project. In addition, ECA was still withholding a retention reserve of $936,740. However, ECA informed OIOS in April 2015 that it had decided, after exploring all options, that the only remedy that it would exercise was the 10 per cent retention reserve that it was currently holding.

Audit of the construction of a new office facility for the Mechanism for International Criminal Tribunals in Arusha (2015/038)

77. The General Assembly approved the financing of the construction of a new office facility for the Mechanism for International Criminal Tribunals in Arusha at a cost of $8.8 million. As at 31 December 2014, total expenditure for the project amounted to $1.19 million. The Mechanism established a project management team and developed a project management plan that was being implemented and monitored. A consulting firm, contracted in accordance with the established procurement procedures at a cost of $774,700, was supporting the project management team in the appraisal, design and tendering process for the contractor and subcontractors. The Mechanism, in consultation with the Office of Central Support Services, took actions that reduced the project schedule from five years to four years. Construction was expected to take one year, with occupancy set for early 2016.

78. Based on OIOS recommendations, the Mechanism for International Criminal Tribunals conducted fraud awareness and prevention training for the project management team members to mitigate the risk of fraud, financial losses and reputation damage; and developed procedures for change orders to clearly set out the delegation of authority for preparing, reviewing, certifying and approving change

orders before the start of construction activities to minimize the risk of disputes. The Mechanism was also taking measures to include indirect costs, such as information communication and technology equipment, furniture and security systems for the new office facility in the budget submission for biennium 2016-2017.

C. United Nations Compensation Commission

79. The Compensation Commission was created in 1991 as a subsidiary organ of the Security Council to process claims and pay compensation for losses and damages suffered as a direct result of Iraq's invasion and occupation of Kuwait. Successful claimants are paid out of the Compensation Fund, which receives 5 per cent of Iraqi oil export revenues. In December 2014, the United Nations Compensation Commission Governing Council adopted decision 272, which postponed deposits to the Compensation Fund until January 2016, with quarterly payments towards the outstanding award resuming in 2016.

80. As at the end of October 2014, the Compensation Commission had paid $47.8 billion out of the total of $52.4 billion in compensation awards, leaving an outstanding balance of $4.6 billion owing to the one remaining claim. No further payments will be made until 2016.

81. The Compensation Commission made available an amount of $50,000 for internal audit resources for 2014. OIOS used those resources to undertake two audits of the Compensation Commission.

Audit of the Compensation Commission claims payments for the period from November 2013 to October 2014 (2015/016)

82. OIOS assessed that the Compensation Commission continued to have effective arrangements in place to ensure that compensation awards were disbursed and that payment records were accurate, properly documented and in compliance with Governing Council decisions and United Nations Financial Regulations and Rules. In addition, reporting on programme and financial performance, including the receipt and monitoring of Compensation Fund revenues, continued to function as intended.

Audit of the Compensation Commission liquidation preparedness (2014/067)

83. Undertaken at the request of the Compensation Commission secretariat, OIOS assessed that arrangements for the Commission's preparedness for its liquidation were satisfactory. The Compensation Commission had undertaken risks and needs assessments, and put in place arrangements for planning and reporting on the liquidation process.